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Message Text

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42
ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 OMB-01 TRSE-00 FRB-02 AID-20

IGA-02 COME-00 EUR-25 INT-08 XMB-07 OPIC-12 CIAE-00

DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-07 PA-04

RSC-01 PRS-01 SP-03 SS-20 USIA-15 DRC-01 /184 W
---------- 043932
R 251245Z MAY 74
FM AMEMBASSY KINGSTON
TO SECSTATE WASHDC 4803
INFO AMEMBASSY PORT OF SPAIN
AMEMBASSY GEORGETOWN
AMEMBASSY BRIDGETOWN

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E.O. 11652: N/A
TAGS: EFIN
SUBJ: BUDGET DEBATE: OPPOSITION SPOKESMAN SEAGA CALLS FOR RE-EVALUATION OF JAMAICAN DOLLAR

REF: KINGSTON 1752

1. REPLYING TO FINANCE MINISTER COORE'S BUDGET SPEECH, OPPOSITION SPOKESMAN FOR FINANCE EDWARD SEAGA SPOKE FOR NEARLY FIVE HOURS AND COMMENTED ON MOST ASPECTS OF COORE'S BUDGET. THE HIGH POINT OF HIS SPEECH, HOWEVER, WAS HIS CALL FOR REVALUATION OF THE JAMAICAN DOLLAR IN ORDER TO CURB INFLATION AND IN ORDER TO PROMOTE ECONOMIC GROWTH. A 15 PERCENT REVALUATION OF THE JAMAICAN DOLLAR WOULD TAKE IT BACK TO ITS PRE - FEB 1973 LEVEL AND ATTACK INFLATION BY A REDUCTION IN THE COST OF IMPORTS. (FINANCE MINISTER COORE STATED THAT 50 PERCENT OF THE COUNTRY'S INFLATION WAS IMPORTED.) STATING THAT THE MOVEMENT ON THE 1973 COST OF LIVING INDEX HAD BEEN GREATEST IN FEB - MAR (DEVALUATION) AND JULY - OCT (REMOVAL OF FOOD SUBSIDIES) REVALUATION WOULD WIPE OUT THE INCREASE IN THE COST OF LIVING BY 15 PERCENT AND AT THE SAME TIME PROVIDE
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FUNDS TO REPLACE THE COST OF THE SUBSIDIES. THE MOVE WOULD ALSO

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REDUCE THE COST OF IMPORTS, AND ANY INCREASE IN THE COST OF EXP-
ORTS COULD BE MET WITH EXTRA FOREIGN EXCHANGE RESOURCES COMING
FROM INCREASED BAUXITE REVENUES. FOR THE LONG TERM, A REDUCTION
IN THE COST OF IMPORTS WOULD STIMULATE LOCAL PRODUCTION AND
ELIMINATE THE COUNTRY'S PRESENT STATE OF "SLUMP FLATION" OR
"STAG FLATION."

2. COMMENTING ON SEAGA'S PROPOSAL, THE DAILY GLEANER EDITORIALIZED
THAT WHILE THE REVALUATION WOULD REDUCE THE COST OF IMPORTS, IT
WOULD INCREASE THE PRICE OF EXPORTS WHICH WAS PARTICULARLY IMPO-
RTANT IN VIEW OF THE MANUFACTURED GOODS JAMAICA WAS NOW EXPO-
RTING TO CARICOM. SUCH A MOVE WOULD ONLY INCREASE JAMAICA'S DEF-
ICIT WITH CARICOM. IN ADDITION SINCE JAMAICA'S EXPORTS WERE IN
TERMS OF FIXED PRICES, THE REVALUATION WOULD CAUSE A REDUCTION IN
INCOME. THE GLEANER STATED THAT AT BEST SEAGA'S PROPOSAL WOULD
ONLY PROVIDE A SHORT-TERM SOLUTION.

3. COMMENT: GIVEN JAMAICA'S CURRENT ECONOMIC SITUATION, TI IS
DIFFICULT TO TAKE SEAGA'S REVALUATION SUGGESTION SERIOUSLY. HOW-
EVER, MANLEY AND COORE ON BAUXITE ARE A HARD ACT TO FOLLOW, AND
HIS PROPOSAL SUCCEEDED IN DRAWING ATTENTION TO HIS REMARKS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
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Concepts: INFLATION, BUDGETS, DOLLAR, ECONOMIC GROWTH, SPEECHES, IMPORT CONTROLS, REVALUATIONS, RETAIL PRICE INDEXES, PROPOSALS (BID)
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Disposition Remarks:
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Errors: N/A
Film Number: D740132-0289
From: KINGSTON
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ISecure: 1
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TAGS: EFIN, JM, (SEAGA, EDWARD), (COORE, DAVID)
To: STATE
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